



state senator

Robert L. Meeks

2005 LEGISLATIVE UPDATE

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The State Budget: Holding the Line on Spending

LEGISLATURE PASSES FIRST BALANCED BUDGET IN 10 YEARS

The Indiana General Assembly has passed a balanced two-year state budget that holds the line on spending, eliminates the structural deficit, adds no new state taxes, provides \$4 billion in property tax replacement credits and adds \$112.4 million to K-12 education.

Senate Republicans voted to control state spending while boosting funding for K-12 education, scholarships for higher education and child protection. Medicaid funding is held to a 5 percent increase. This is in contrast to the 10 percent growth experienced during the current biennium.

The passage of this budget bill is quite an accomplishment. To overcome a \$600 million structural deficit and end up with reserves – all without new state taxes – is no small feat.

Education funding remained a top priority by the Senate Republicans. The school funding formula is driven by an innovative approach that funds children as individuals instead of simply funding corporations. Special factors are taken into consideration, such as poverty, single parent families and free lunches, when determining the level of funding that is to follow a child.

The General Assembly continually has increased education spending in past years, even when other states were cutting education. In 2003, Indiana had the highest increase of K-12 funding in the country –

during a national recession. The new budget gives more money and adds funding options to Indiana public schools than has ever been given in the history of the state.

Additionally, the state is distributing to local governments \$4 billion in property tax replacement credits (PTRC), in an effort to provide relief to homeowners and other property taxpayers. Local governments and schools keep 99.9 percent of all property taxes, which are levied by local governments and schools. Half of all revenue raised by the state sales tax is used for PTRC, as is 14 percent of the income tax and nearly a half billion dollars every year from the wagering tax.

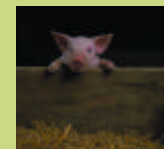
Earlier in the session, Senate Republicans voted to pass a measure to reform the property tax system by giving local governments an option to shift the property tax burden to an income tax in order to be more fair and equitable to Hoosiers. The initiative was successful in the Senate but failed to receive consideration in the House of Representatives when the bill met substantial opposition from local government officials.

The new budget is a prescription for positive change in Indiana. It is the first balanced budget crafted by legislators in 10 years. I strongly support efforts to keep spending down while providing adequate funding for essential services.

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Legislature Creates Dept. of Agriculture

Agriculture is one of the largest and most important industries in Indiana. As one of the nation's leaders in a vast array of agricultural areas, it would probably come as a surprise to most Hoosiers that, prior to this legislative session, our state had no official Department of Agriculture.



Indiana was one of only four states that operated without an official Department of Agriculture. The other three – Alaska, Arkansas, and Rhode Island – come as little surprise, but our state ranks second in the nation in the amount of prime farmland, and a one-stop entity that would handle all of our agriculture issues would greatly benefit this industry.

House Enrolled Act 1008, which I co-sponsored, created the official Indiana Department of Agriculture and consolidates duties that were once scattered across numerous agencies.

The move costs Indiana taxpayers no additional money. In fact, I hope it actually saves money by merging the 10 separate agriculture boards and commissions into one large department.

The bill also changes who serves as the chief advocate for the agriculture community. Previously, the lieutenant governor automatically served as the state's top agriculture official. While most lieutenant governors, including current Lt. Gov. Becky Skillman, have performed admirably in that position, some have not had the expertise needed to carry out such important responsibilities. The passage of this bill allows the governor to appoint a Commissioner of Agriculture, which will allow the governor to choose the most qualified person to handle the state's agricultural dealings.

Indiana is one of the nation's top agriculture states. This new law will enable us to take full economic advantage of one of our state's traditional strengths.

Rx FOR INDIANA

IMPROVING ACCESS TO PRESCRIPTION DRUGS

Governor Mitch Daniels has created "Rx for Indiana," a pharmaceutical patient assistance program which allows lower-income Hoosiers to receive the prescription drugs they need for free or at significantly reduced prices. Since the beginning of the program in early March, more than 37,000 Indiana residents have qualified for the program.

Nearly 60 health care, business, community and consumer groups have joined the governor to help improve Indiana citizens' access to prescription medicine. The Rx for Indiana program was developed to build upon the success of other national programs, as it links patients with information about pharmaceutical assistance programs provided by companies and the state and federal government.

Rx for Indiana provides residents access to information about more than 275 public and private prescription assistance programs that provide more than 1,800 medications. In order to take part in the program, Indiana residents must answer a few short questions to verify eligibility. The resident will then be informed of the pharmaceutical patient assistance programs for which he or she qualifies.

Rx for Indiana can save individuals thousands of dollars per year. Before the establishment of Rx for Indiana, only about one in 10 Hoosiers were taking advantage of the reduced cost medicines available. We hope that with the creation of this program, many more Hoosiers will be able to access the medications they need.

To apply for the Rx for Indiana program, visit www.rxforindiana.com or call toll-free 1-877-793-0765. The Web site is available in Spanish and English, and Spanish-speaking telephone operators are available.

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Photo: Sen. Meeks addresses the full Senate

Stopping Identity Theft

Identity theft has become a major crisis in the United States in the past several years. As of September of 2003, 27.3 million Americans had been victims of identity theft, with more than 9 million of those occurring in 2003. The cases of identity theft in that year cost businesses and financial institutions \$48 billion, and cost consumers \$5 million in out-of-pocket losses. This is a problem that continues to persist and that needs to be stopped.

Senate Enrolled Act 503 makes it a Class A felony for an agency to knowingly disclose a Social Security Number (SSN) without written consent from the individual. There currently are 62 state agencies that collect SSNs and the bill will require each of them to obtain consent from a consumer before releasing his or her number, unless it is requested under federal law.

Indiana has recently seen its share of identity theft offenses. In 2003, only 17 states had more per capita cases of identity theft than Indiana. Also in 2003, an employee working at the Bureau of Motor Vehicles was arrested on a forgery charge related to helping immigrants illegally obtain thousands of state IDs. Two employees were also charged with identity theft while working at the Public Employee Retirement Fund.

This legislation is a positive precautionary measure that will help decrease the instances of identity theft in Indiana. Further protection against this fast growing crime is a great victory for Hoosiers.

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Property Tax Reform

A local income tax proposal could be the best solution

Property taxes have grown considerably for all classes of taxpayers over the last 20 years, and are an outdated mechanism for taxation in many regards. They are not levied on ability to pay. This creates particular problems for senior citizens living in long-held homes and who have a fixed income. It has created a burden on farmers and other businesses unrelated to income, and it is a drag on new home purchases by young families and new business investment.

This year, Senate Republicans passed a plan to move local governments away from property taxes. After vocal opposition by local elected officials, the House defeated the measure.

The plan would have required that counties, through the representative council of the cities, towns, counties, and school districts, vote this summer on whether to plan their local budgets with a more equitable income tax. Currently, local units of government are permitted to grow their budgets on a rolling six-year average of the increase in Non-Farm Personal Income, and to do this, they generally increase property taxes. The state does not increase property taxes.

Under the new plan, the controls on growth are retained, but local units are encouraged to use the income tax to fund it, instead of using the property tax. The proposal merely permits increases that can occur on property taxes to be moved to income taxes.

It is estimated by the Legislative Services

Agency that most counties would start with a tax rate of less than 0.5 percent. That rate could grow to 1 to 1.2 percent by 2011. How fast the rate actually grows in each county will be determined by the natural rate of income tax growth and the rate of spending growth in each county. Over that period, property taxes to fund operating expenses for schools and local government would not increase. The new income tax rate would have been capped at about 1.2 percent.

The program required a rainy day fund to be set aside to protect each school and civil unit of government against economic downturns. In addition, if units spend less than the full growth increase permitted, that money could be used in four ways: across the board property tax relief; in the rainy day fund; an additional local homestead credit; and an additional local property tax replacement credit.

This would have been a major change that would be beneficial for all taxpayers, as we move to a system that is based on ability to pay, is easier to administer, and will return funds more rapidly to local units for their budgets. Unfortunately, local officials decided not to support this innovative move away from property taxes. I plan to support this measure in the 2006 session.



New Laws Help Protect Children

The General Assembly passed several bills this session aimed at protecting Hoosier children.

In 2003, the state's sex and violent offender registry was modernized, including the requirement of a photograph of the offender that could be viewed by the public. Currently, thousands of people who have committed sex crimes or crimes against children are registered with the state. We passed two bills that will enhance the effectiveness of the registry by adding the possession of child pornography to the 14 existing offenses and by allowing neighborhood associations to receive semi-annual updates of the list.

This session, we also passed Senate Enrolled Act 529, which reorganizes the Office of the Family and Social Services Administration. This department has been plagued by poor management and other problems. The bill creates the Dept. of Child Services to handle child support, child protection, adoption and foster services. Some Hoosier children are at risk for abuse and neglect, and these children deserve the proper attention from the state.

In the state budget, we provided additional funding for child protection. The budget funds the new Dept. of Child Services and provides money for Independent Living assistance for persons moving off of foster care. It funds an additional 400 caseworkers for child protection and establishes caseload standards for child protection workers.

Making dollars & sense of

SCHOOL FUNDING

State should fund children, not corporations

Indiana has had a long history of strong financial support for education, spanning several administrations. In 2003, during a national recession, our state had the highest increase of K-12 funding in the country. Funding for public education is our top priority and by far the largest part of our state budget.

Indiana ranks 17th in the nation for per pupil spending and 16th in average teacher salaries; 10th highest with cost of living adjustments. In the 2003 budget session, we provided a total formula dollar increase of 1.6 percent for 2004 and 1.7 percent for 2005. With Capital Project Fund Transfers included, the total formula increases were 3.3 percent and 2.9 percent. From 1993 to 2003, K-12 spending grew 69.3 percent. Compare that to a growth in K-12 enrollment of only 4.2 percent. During the same period, all-in spending (including federal dollars) increased from \$5.4 billion to \$9.3 billion.

The explosion in school spending was due in part to an antiquated method of funding education. For many years, the Legislature has funded school districts on the basis of a "minimum guarantee." The guarantee is intended to cover a district's fixed costs, but the result is that children are treated unequally, and costs are soaring.

Some corporations have lost 30 percent of their enrollment in the last six years but have seen their funding per child increase by as much as 75 percent. Meanwhile, corporations with growing enrollments currently are receiving less than full funding for each new enrollee. The minimum guarantee has shifted our focus from children to corporations and fails to maximize the use of dollars where they are needed — with the children.



In lieu of this old-fashioned method, there should be a standard amount of funding for every child while allocating additional money for children who have multiple needs. If a school corporation grows and adds children, that basic level of funding should be provided for each additional child. Our focus needs to be on the approximately one million children we are funding, rather than on corporations.

The Senate's school funding plan recognizes that every child deserves a foundation of funding. The formula first determines an amount needed for the "basic" education of each child. Additional funding is disbursed based on other needs and achievements.



Hoosiers express concern about education performance and the "brain drain" problem. In a time when the state must utilize a limited amount of money, it is imperative that we pinpoint every dollar toward the individual child to achieve maximum efficiency. If the citizens of Indiana want to fund public education successfully, we must focus on our greatest investment: the well-educated child.

In recent budget years, the state has increased education funding significantly. This year, we faced a \$600 million structural deficit. Our state's financial problems are difficult for many Hoosiers to accept, but we believe they will be temporary. In the meantime, the Senate passed a generous overall increase to education funding, in addition to a more equitable formula. As our fiscal condition improves, we can look forward to a continuation of the General Assembly's commitment to education.



LEFT: Sen. Meeks greets House Ways and Means Chairman Jeff Espich before speaking to the news media about the state budget. Sen. Meeks and Rep. Espich are the Legislature's chief budget negotiators.

Saving Medicaid

Nearly one in six Hoosiers receives Medicaid. For every dollar of state Medicaid funds saved, \$3 is removed from the health care economy in Indiana. These statistics point to the significance of this program. As a result, the Senate remains determined to restore fiscal solvency to this vital program.

Medicaid costs increased 10 percent last year. Without the aid of a federal grant of \$146.3 million and cost containment measures that trimmed another \$73.4 million, the state would have faced a \$241 million deficit. In spite of these actions, the program still posted a \$21.7 million shortfall.

Governor Mitch Daniels cited a control of Medicaid cost growth as a major objective in his first State of the State address in January. Without significant policy changes, projected figures indicate another 10 percent increase this year. Given the tight financial constraints plaguing the state, an increase of this magnitude could bankrupt this vital program and take away money from other important programs like K-12 education.

The Senate considers the Medicaid program one of the state's most important services and plans to spend a substantial amount of time identifying ways to improve the program, while keeping it fiscally sound. We want to make sure that Medicaid remains a program exclusively for those who are truly poor and in need of services. This requires a full evaluation of program requirements and making adjustments as necessary.

One of the key elements involved with lowering the cost of Medicaid is purchasing long-term health care insurance. Many people assume that Medicaid will cover the cost of living in a nursing home, but many seniors have to buy down their assets in order to qualify for Medicaid coverage.

The Indiana Long Term Health Care Insurance Program is a partnership between the state and insurance companies that allows seniors to protect their assets while receiving assistance to pay for long-term care. Because the average cost of one year in a nursing home is \$44,000, it is important to protect yourself against losing your life savings to pay for such care. For more information on the Indiana Long Term Health Care Insurance Program, visit www.longtermcareinsurance.in.gov or call 1-800-452-4800.

With federal cuts possible, states must find ways to curb spending now. We are determined to carefully evaluate every option available to restore fiscal solvency to this vital program.